

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY**

***FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2014 AND JUNE 30, 2013**

**ANGELA UNDERWOOD, EXECUTIVE DIRECTOR**





# Dave Yost • Auditor of State

Board of Directors  
Ohio Mid-Eastern Regional Education Service Agency  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Mid-Eastern Regional Education Service Agency is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 3, 2015

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**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report**

Ohio Mid-Eastern Regional Education Service Agency  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of and for the fiscal years ended June 30, 2014 and June 30, 2013.

***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Ohio Mid-Eastern Regional Education Service Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Ohio Mid-Eastern Regional Education Service Agency's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Ohio Mid-Eastern Regional Education Service Agency prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Ohio Mid-Eastern Regional Education Service Agency as of June 30, 2014 and June 30, 2013, or changes in financial position thereof for the fiscal years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash balances of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of June 30, 2014 and June 30, 2013, and its cash receipts and disbursements for the fiscal years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 24, 2014

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Receipts</b>		
Earnings on Investments	\$ 115,820	\$ 22,312
Membership Contributions	2,747,185	3,017,934
Restricted Grants in Aid	2,311,074	2,223,376
Miscellaneous Receipts	13,858	-
Sale of Assets	-	300
Total Cash Receipts	<u>5,187,937</u>	<u>5,263,922</u>
<b>Cash Disbursements:</b>		
Personal Services	1,050,768	989,718
Fringe Benefits	527,041	468,811
Purchased Services	2,719,180	2,632,054
Supplies and Materials	19,288	15,819
Capital Outlay	992,864	328,723
Other Disbursements	172,349	38,914
Total Cash Disbursements	<u>5,481,490</u>	<u>4,474,039</u>
Excess of Cash Receipts Over/(Under) Disbursements	(293,553)	789,883
Fund Cash Balances, July 1	<u>1,735,026</u>	<u>945,143</u>
Fund Cash Balances, June 30	<u>\$ 1,441,473</u>	<u>\$ 1,735,026</u>
Fund Cash Balances, June 30		
Assigned	\$ 81,805	\$ 475,130
Unassigned	<u>1,359,668</u>	<u>1,259,896</u>
Fund Cash Balances, June 30	<u>\$ 1,441,473</u>	<u>\$ 1,735,026</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, (the "Agency") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency is directed by an appointed fourteen-member Board of Directors made up of 11 Superintendent Representatives, one from each county within the geographical Information Technology Center site area, a Joint Vocational Service representative, the fiscal agent Superintendent and a Treasurer appointed by the Fiscal Advisory Committee. The Agency provides a shared computer service site to develop and implement an efficient and effective computer system to meet the needs of its members. The Agency's management believes these financial statements present all activities for which the Agency is financially accountable.

**B. Accounting Basis**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**D. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Agency's basis of accounting.

**E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The Agency classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions.

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Committed* - The Board of Directors can *commit* amounts via formal action (resolution). The Agency must adhere to these commitments unless the Board of Directors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or an Agency official delegated that authority by resolution, or by State Statute.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Agency applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 2 - EQUITY IN POOLED CASH**

The Agency maintains a cash pool of all funds used. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Demand Deposits	<u>\$1,441,473</u>	<u>\$1,735,026</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**NOTE 3 - RETIREMENT SYSTEM**

The Agency's employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2014 and 2013, SERS members contributed 10% of their gross salaries to SERS. The Agency contributed an amount equal to 14% of the participants' gross salaries. The Agency has paid all contributions required through June 30, 2014.

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

**NOTE 4 - RISK MANAGEMENT**

**Commercial Insurance**

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability,
- Vehicle; and,
- Errors and omissions

Settled claims have not exceeded coverage in either of the past two years. Also, the Agency has not reduced coverages from the prior year.

The Agency also provided health insurance, dental and vision coverage to full-time employees through a private carrier.

**NOTE 5 - CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards***

Ohio Mid-Eastern Regional Education Service Agency  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of and for the fiscal years ended June 30, 2014 and June 30 2013, and the related notes to the financial statements and have issued our report thereon dated November 24, 2014, wherein we noted the Ohio Mid-Eastern Regional Education Service Agency followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Ohio Mid-Eastern Regional Education Service Agency's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Ohio Mid-Eastern Regional Education Service Agency's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Directors  
Ohio Mid-Eastern Regional Education Service Agency

***Compliance and Other Matters***

As part of reasonably assuring whether the Ohio Mid-Eastern Regional Education Service Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Ohio Mid-Eastern Regional Education Service Agency's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Ohio Mid-Eastern Regional Education Service Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 24, 2014

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# Dave Yost • Auditor of State

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 17, 2015**